



Issue Date	August 04, 2010
Audit Report Number	2010-AO-1005

TO: Scott G. Davis, Director, Disaster Recovery and Special Issues Division, DGBD

FROM: *//signed//*  
Tracey Carney  
Acting Regional Inspector General for Audit, Gulf Coast Region, GAH

SUBJECT: The State of Louisiana's, Baton Rouge, LA, Subrecipient Did Not Always Meet Agreement Requirements When Administering Projects Under the Orleans Parish Long Term Community Recovery Program

## **HIGHLIGHTS**

### **What We Audited and Why**

We audited the State of Louisiana, Office of Community Development's (State), Orleans Parish Long Term Community Recovery Program (Program), administered by the State's subrecipient, the City of New Orleans (City). Our objective was to determine whether the City, as the State's subrecipient, met the requirements of its cooperative endeavor agreement (agreement) with the State during its administration of the New Orleans Redevelopment Authority's (Authority) projects under the Program. We initiated the audit as part of the Office of Inspector General (OIG) Gulf Coast Region's audit plan and examination of activities related to Gulf Coast hurricane disaster relief efforts.

### **What We Found**

The City, as the State's subrecipient, did not always meet the requirements of its agreement with the State during its administration of the Authority's projects. Specifically, the City failed to meet agreement obligations as it did not (1) execute agreements with the Authority in a timely manner and ensure the Authority

completed projects within specified timeframes, (2) ensure that the Authority met its performance standards, reporting, and consultation requirements or implemented projects in an efficient manner, (3) set progressive deadline dates for the Authority or appropriately develop the Authority's initial agreement performance standard requirements, and (4) have monitoring controls in place to ensure that the Authority's projects effectively progressed. These conditions occurred because the State did not always exercise adequate oversight and hold the City accountable, once performance issues were apparent. Specifically, the State did not (1) conduct an onsite monitoring review of the City to correct deficiencies, (2) set progressive deadline dates in its agreement with the City to adequately track the Program's progress, or (3) exercise its agreement options when the City failed to meet its obligations in a timely and effective manner. As a result, Program funds were not used in a timely, efficient, or effective manner, thus delaying the City's recovery from the damage caused by Hurricanes Katrina and Rita.

### **What We Recommend**

We recommend that the Director of the U.S. Department of Housing and Urban Development's (HUD) Disaster Recovery and Special Issues Division require the State to exercise its agreement option by deobligating the \$28.1 million in Program funds allocated to the Authority's projects and reallocate those funds to other disaster programs. In addition, the State must finalize its monitoring plan and consider including an individual subrecipient risk assessment requirement in its final monitoring plan to determine the frequency of monitoring.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

### **Auditee's Response**

We provided the draft report to the State and HUD on June 24, 2010. We held an exit conference with the State and HUD on June 30, 2010. We asked the State to provide written comments to the draft report by July 8, 2010. The State requested an extension until July 23, 2010 and it provided written comments on July 22, 2010. The State generally agreed with our finding, but disagreed with one of our recommendations.

The complete text of the auditee's response, along with our evaluation of that response, can be found in appendix B of this report.

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## BACKGROUND AND OBJECTIVE

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Between December 2005 and December 2007, Congress approved a total of \$19.7 billion in supplemental Community Development Block Grant (CDBG) disaster recovery assistance funds for Gulf Coast hurricane relief. Of that amount, the U.S. Department of Housing and Urban Development (HUD) awarded \$13.4 billion to the State of Louisiana for its recovery efforts. The Louisiana Recovery Authority, in conjunction with the State of Louisiana Office of Community Development (State), develops action plans outlining the programs and methods used to administer the \$13.4 billion supplemental CDBG funds. In Louisiana, the State is HUD's principle grantee and the entity primarily responsible for the \$13.4 billion allocated disaster funds. Therefore, the State is responsible for administering and monitoring the CDBG disaster-related programs generated from the HUD allocations.

Of the \$13.4 billion CDBG funds allocated to Louisiana, the State budgeted \$700 million toward the Long Term Community Recovery Program (Program) under its infrastructure disaster recovery program. The Program provided funding to local governments in the Louisiana areas most heavily impacted by Hurricanes Katrina and Rita. The purpose of the Program is to implement local long-term infrastructure recovery plans. In administering the Program, the local governments must prioritize projects that drive local recovery.

HUD allowed the State to execute agreements with subrecipients to aid in administering the disaster programs. However, HUD required both the State and its subrecipients to follow all applicable HUD rules and regulations. The State entered into a cooperative endeavor agreement (agreement) with the City of New Orleans (City) local government, effective September 17, 2007, and allocated \$410.7 million for the City to administer the Program in Orleans Parish. Under the agreement, the City serves as the State's subrecipient. In addition, the State allowed the City, in the agreement, to execute subrecipient agreements to aid in implementing the Program. Therefore, the City entered into an initial agreement with the New Orleans Redevelopment Authority (Authority) on October 20, 2008, to assist in implementing the Program.

Under State law and through its land banking capability, the Authority can acquire real property, dispose of property by sale or lease, and provide security to support slum clearance and neighborhood redevelopment. The City's agreement with the Authority initially authorized \$35.9 million in Program funds for implementing 12 projects for the recovery of the City. Of the 12 projects, the City executed budget adjustments to cancel 3 projects and reallocated the funding. After the budget adjustments and project cancellations, the Authority was required to implement and complete nine projects totaling more than \$33 million under its initial agreement with the City (see appendix C). The City's agreement with the Authority also required the Authority to meet performance standards, reporting, and consultation requirements (as applicable) for each project.

The City's Project Delivery Unit is responsible for overseeing the implementation of the Program in Orleans Parish. To implement the projects, the State required the Project Delivery Unit and the Authority to develop a preapplication and application for each of the proposed

projects for review and approval. Once the State approved the preapplication and application for each project, the Authority could commence work on those projects.

As of December 31, 2009, the City had expended \$4.9 million of the \$33 million in Program funds under its agreement with the Authority. Our audit objective was to determine whether the City, as the State's subrecipient, met its agreement requirements when administering the Authority's projects under the Program.

## RESULTS OF AUDIT

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### Finding 1: The City, As the State's Subrecipient, Did Not Always Meet Its Agreement Requirements

The City did not always meet the requirements of its agreement with the State during its administration of the Authority's projects. Specifically, the City failed to meet agreement obligations as it did not (1) execute agreements with the Authority in a timely manner and ensure the Authority completed projects within specified timeframes, (2) ensure that the Authority met its performance standards, reporting, and consultation requirements or implemented projects in an efficient manner, (3) set progressive deadline dates for the Authority or appropriately develop the Authority's initial agreement performance standard requirements, and (4) have monitoring controls in place to ensure that the Authority's projects effectively progressed. These conditions occurred because the State did not always exercise adequate oversight and hold the City accountable, once performance issues were apparent. Specifically, the State did not (1) conduct an onsite monitoring review of the City to correct deficiencies, (2) set progressive deadline dates in its agreement with the City to adequately track the Program's progress, or (3) exercise its agreement options when the City failed to meet its obligations in a timely and effective manner. As a result, Program funds were not used in a timely, efficient or effective manner, thus delaying the City's recovery from the damage caused by Hurricanes Katrina and Rita.

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#### Program Requirements

The terms of the agreement between the State and the City under the Program stated that the agreement shall not continue for a period over 36 months and thus expires September 2010. The agreement further stated that the State may exercise its agreement option and terminate the agreement in whole or in part if the City failed to meet its agreement obligations in a timely and proper manner. Such obligations include, for example, the City binding, certifying and giving assurance that it will comply with all federal and state regulations, policies, and requirements as they relate to the use of state and federal funds. Finally, the State could terminate the agreement if the City used funds provided under the agreement in an ineffective or improper manner.<sup>1</sup>

Federal regulations state that HUD expects the State to expeditiously obligate and expend all funds in carrying out activities in a timely manner.<sup>2</sup> In addition, the HUD-approved action plan required the State to support the most efficient and effective use of its disaster funds.<sup>3</sup> Thus, based on the agreement terms, the City

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<sup>1</sup> Appendix D, pages 32-33 - *Cooperative Endeavor Agreement between the State and the City of New Orleans – Effective September 17, 2007.*

<sup>2</sup> Appendix D, pages 31-32- Federal Registers (FR) 5051-N-04

<sup>3</sup> Appendix D, page 31- Action Plan

was obligated to carry out activities and expend Program funds in a timely, efficient, and effective manner and by September 2010.

Federal regulations further required the State to conduct onsite reviews of subrecipients to ensure compliance with regulations. In the event that a subrecipient, such as the City, does not comply with the regulations, the State is required to take appropriate actions to prevent continuance of the deficiency, mitigate any adverse effects or consequences and prevent recurrence.<sup>4</sup>

**City’s Obligation to Carry Out Program Activities in a Timely Manner Was Not Met**

As related to the City’s agreement with the Authority, the City did not fulfill its obligation to carry out Program activities in a timely manner. Specifically, the City did not (1) execute its agreement with the Authority in a timely manner and (2) ensure that the Authority completed activities for 7 of 12 projects within the specified timeframes.

The State authorized the City to begin administering the Program in Orleans Parish in September 2007. However, although the City was aware that it would need assistance from the Authority to implement projects under the Program, the City did not execute its initial agreement with the Authority until October 2008, more than 1 year later, thus delaying the activities and expenditure of the funds for those Program projects. Under its initial agreement, the City required the Authority to implement the following 12 projects:

<b>Project number</b>	<b>Project name</b>
<b>1</b>	Clean and Lien
<b>2</b>	Veterans Administration Hospital Land Acquisition and Redevelopment <sup>5</sup>
<b>3</b>	Pontilly (or Gentilly Woods) Acquisition and Redevelopment
<b>4</b>	Lake Forest Plaza Land Acquisition and Redevelopment
<b>5</b>	South Claiborne Land Acquisition and Redevelopment
<b>6</b>	Additional Land Acquisition and Redevelopment
<b>7</b>	Lot Next Door Incentive Program Management
<b>8</b>	Blight and Historic Property Rehabilitation Loan Fund
<b>9</b>	Rehabilitation and Construction Mitigation Study
<b>10</b>	Commercial Appraisal Fund
<b>11</b>	Methodist Hospital Planning Study
<b>12</b>	Property Inventory Database

<sup>4</sup> Appendix D, page 31- Federal Register (FR) 5051-N-01

<sup>5</sup> Also known as the Veterans Administration and Louisiana State University Hospitals Periphery Land Acquisition and Redevelopment projects

The City cancelled 3<sup>6</sup> of 12 projects and, therefore, 9 projects remained. Although the initial agreement between the City and the Authority required the Authority to complete activities for the above listed projects between October 2008 and October 2009, the Authority only completed two<sup>7</sup> of the remaining nine projects within that timeframe. Thus, seven projects were not completed within the specified timeframe. Further review determined that these seven projects were still incomplete as of April 2010, more than five months after the timeframe expired. Since the City allowed this to happen, it violated the regulations, which required it to carry out the Program activities in a timely manner.

### **City's Obligation to Carry Out Program Activities Efficiently Was Not Met**

Under the City's agreement with the Authority, the City, in some instances, violated its obligation to carry out the Program activities efficiently. Specifically, a file review of the remaining nine projects, that were not cancelled, determined that City did not ensure that

- Five projects<sup>8</sup> met its prescribed performance standards, reporting, or consultation requirements (as applicable); and
- Four projects were implemented in an efficient manner.

#### *Performance Standards, Reporting, or Consultation Requirements for Five Projects Were Not Met*

As reflected in the chart below, the City did not ensure the Authority met the performance standards, reporting, or consultation requirements for five projects under its initial agreement (as applicable). Therefore, the City did not ensure the Program activities, related to those projects, were carried out efficiently.

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<sup>6</sup> Includes the Blight and Historic Property Rehabilitation Loan Fund, Property Inventory Database, and Clean and Lien projects. The City reallocated the funding for these projects. See appendix C.

<sup>7</sup> The two projects completed included the Pontilly Acquisition and Redevelopment and Methodist Hospital Planning study projects.

<sup>8</sup> For these five projects, the Authority completed the Pontilly Acquisition and Redevelopment and Methodist Hospital Planning Study projects. The Lot Next Door Incentive Program Management, Rehabilitation and Construction Mitigation Study, and Commercial Appraisal Fund projects were ongoing.

<b>Project name</b>	<b>Performance standards met (yes/no)</b>	<b>Reporting requirements met (yes/no)</b>	<b>Consultation meeting requirements met (yes/no)</b>
Pontilly (Gentilly Woods) Acquisition and Redevelopment	Yes	No	No
Methodist Hospital Planning Study	Work completed before agreement execution	No	Not required for the project
Lot Next Door Incentive Program Management	Yes <sup>9</sup>	No	Not required for the project
Rehabilitation and Construction Mitigation Study	No	Requirement not due at time of review <sup>10</sup>	Not required for the project
Commercial Appraisal Fund	No	No	Not required for the project

For the performance standards, the Authority missed the required deadlines. As an example, for the Rehabilitation and Construction Mitigation Study project, the City required the Authority to select a contractor and execute a contract within 60 days after the execution of its initial agreement. Therefore, the Authority had to complete this standard by December 19, 2008, since the initial agreement was executed on October 20, 2008. However, the Authority did not select a contractor until January 8, 2009, and did not execute a contract until March 27, 2009, exceeding its deadlines by as much as 3 months. For the same project, the City required the Authority to provide an investment grade analysis report within one year of its initial agreement or by October 19, 2009. As of March 17, 2010, the Authority had not provided the report.

For the reporting requirements, the City stated that the Authority had not provided any of the required quarterly reports. However, the Authority provided us with two reports that it stated had been submitted to the City. A review of those reports determined that the reports were either not provided within the required timeframe, did not include required information, or did not include information related to the project.

For the consultation meeting requirements, the City could not provide documentation showing that it fully met the requirements. According to the City, it met the requirements since its (1) Strategic Planning Department met with the Authority weekly or biweekly, (2) Economic Development Department met with

<sup>9</sup> This project had four standards. Work for one standard was completed before the agreement execution. The remaining three performance standards were met.

<sup>10</sup> The requirement for this project was due upon completion of the study. However, the study had not been completed at the time of our review and, therefore, not yet due.

the Authority “several times,” and (3) Planning Commission Department met with the Authority as needed. However, the City and the Authority only provided a few agendas from its meetings with the Strategic Planning Department, which did not reflect the required discussion topics or timeframes. Further, the City could not provide documentation reflecting its meetings with either the Economic Development or Planning Commission Departments.

#### *Four Projects Were Not Implemented in an Efficient Manner*

The City did not ensure that the Authority implemented four projects in an efficient manner in order for the Program activities related to those projects to progress timely.<sup>11</sup> Specifically, there was a delay in the progress of these projects because the City added an additional layer to the implementation and completion of the projects. Instead of requiring the Authority to acquire and redevelop the projects directly, the City planned to have the Authority provide economic development loans to developers, which would then acquire and develop the projects.

Although eligible, the State’s infrastructure section, the City, or the Authority did not have the experience to administer or implement these economic development-driven projects under the Program. Due to the inexperience, as of April 7, 2010, the State had not approved these four projects. As a result, the implementation of these projects experienced delays for more than one year and, therefore, the projects’ progression was inefficient. If the City had required the Authority to acquire and redevelop the projects itself, it could have prevented the unnecessary delays associated with these projects.

#### **City’s Obligation to Carry Out Program Activities Effectively Was Not Met**

The City did not fulfill its obligation to carry out the Program activities effectively because it did not appropriately develop its initial agreement with the Authority. In the Authority’s agreement, the City did not establish specific progressive deadline dates related to the completion of each phase of a project to ensure that the Program effectively progressed as required. In addition, the City did not always appropriately develop the performance standards requirements because work for those standards commenced before the City executed its agreement with the Authority in October 2008 and were not effective as required.

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<sup>11</sup> This includes the Additional Land Acquisitions, Veterans Administration Hospital Land Acquisition and Redevelopment, Lake Forest Plaza Land Acquisition and Redevelopment, and South Claiborne Land Acquisition and Redevelopment projects. The Additional Land Acquisitions project has three sub-projects, including the (1) OC Haley corridor, (2) Saint Claude corridor and (3) Commercial Land Acquisitions. However, the State had only granted approval for the OC Haley corridor project. Therefore, we considered the Additional Land Acquisition project not approved.

The initial agreement's performance standards did not include requirements such as specific deadline dates for (1) submitting the project application for State approval, (2) beginning project implementation after State approval, or (3) completing the project. The initial agreement only included general language, such as "no later than 60 days after the State approved the project application." Therefore, the City could not effectively ensure that projects progressed in a timely manner.

In addition, performance standards for the Methodist Hospital Planning Study, Lot Next Door Incentive Program Management, and Rehabilitation and Construction Mitigation Study projects were not always appropriate because, in some instances, work commenced before the City executed its agreement with the Authority. For example, one performance standard for the Methodist Hospital Planning Study project required the Authority to issue a request for proposal and select a contractor after the State approved the project application and no later than 60 days after the City issued the notice to proceed. Although the Authority completed that stage of the project three months before the City executed its agreement with the Authority, the City included it as a performance standard requirement in the agreement.

According to the City, its staff that prepared the Authority's agreement and its staff that administered the Authority's agreement were disconnected when developing the Authority's initial agreement. In addition, the City authorized the Authority to begin the projects without the initial agreement in place. Therefore, the Authority performed work on its projects concurrently with the development of the initial agreement. However, the City did not consider the completed work when placing the projects' performance standards in the agreement, thus making the performance standards ineffective for the City's adequate assessment of the Authority's performance.

### **City Lacked Monitoring Controls**

The City lacked monitoring controls to ensure that the Authority complied with its initial agreement and that the Authority's projects progressed in a timely, efficient and effective manner. Specifically, the City

- Did not establish a monitoring division for the Program until October 2009, one year after it executed its initial agreement with the Authority and more than two years after the State executed its agreement with the City. As an aside, the City's initial agreement with the Authority expired during the same month.

- Had not formally adopted written monitoring policies and procedures for its monitoring division as of April 13, 2010.
- Did not monitor the Authority during its initial agreement term between October 2008 and October 2009. Although the City provided one premonitoring report for the Authority, dated December 2009, this was two months after its initial agreement with the Authority had expired.

Since the City did not establish its monitoring division or adopt written monitoring policies and procedures in a timely manner, it lacked controls to monitor the Authority and ensure the timely, efficient, and effective progress of the Authority's projects.

### **City and the Authority Working Relationship Strained**

The City and the Authority appeared to have a strained working relationship. The City believed that the Authority resisted monitoring and appeared confrontational, while the Authority did not always agree with the City's practices. Both the City and the Authority stated that a troubled past existed and that the relationship was strained. In addition, written communication between parties reflected a defensive and confrontational tone. Further, a HUD official agreed that the City and the Authority had a strained relationship and attempted to address the matter. We believe that the strained relationship may have affected the timely, efficient and effective progress of the City's Program administration.

### **State Did Not Exercise Adequate Oversight**

Although the State had taken some measures, it did not always exercise adequate oversight and hold the City accountable, once performance issues were apparent, to ensure the City met the obligations of its agreement during the City's administration of the Authority's projects. Specifically, the State did not

- Conduct an onsite monitoring review of the City to correct deficiencies;
- Set progressive deadline dates in its agreement with the City to adequately track the Program's progress; or
- Exercise its agreement options when the City failed to meet its agreement obligations in a timely and effective manner.

The State had not finalized its monitoring plan as of January 2010. In addition, as of December 2009, it had not conducted an onsite monitoring review of the City's performance under the agreement, although performance issues were apparent. A review of the State's draft monitoring plan determined that the State planned to

base the frequency of monitoring on the Program's overall medium-risk assessment level and not specific subrecipients' risk levels. Therefore, the State only planned to conduct an onsite visit of the City before Program closeout. As a result, the State had not conducted an onsite monitoring review and formally assessed the City's performance under the agreement for more than two years. Since there was no onsite review, there was no evidence that the State assessed or held the City accountable for its deficiencies.

The State explained that it had contracted with a consultant to ensure that the City complied with HUD rules and regulations. In addition, its consultant met frequently with the City concerning the Program as part of the State's ongoing communication with the City to ensure compliance. Further, the State conducted risk assessments for each project under the Program. However, an onsite monitoring review of the City could have (1) corrected the City's failure to meet its agreement obligations with respect to the Authority's projects and (2) allowed the State to exercise appropriate actions to prevent continuance of the deficiency, mitigate any adverse effects or consequences and prevent recurrence.

In addition, a review of the State's agreement with the City determined that the State had not set progressive deadline dates related to the City's administration and completion of the Program. During our review, the State explained that it planned to set deadline dates. However, its delay in establishing deadlines contributed to the City failing to meet its agreement obligations in a timely, efficient and effective manner.

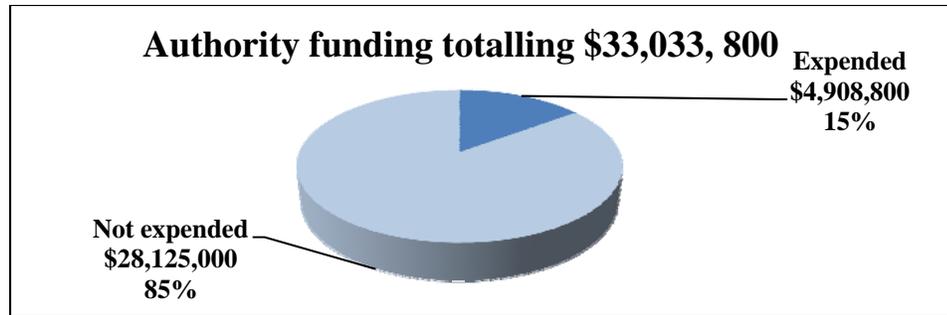
Since the City had performance issues, the State should have taken the appropriate actions. In addition, the State must finalize its monitoring plan. In finalizing its monitoring plan, the State should consider including a requirement to perform individual risk assessments of subrecipients and conduct onsite monitoring based on the subrecipients' risk, rather than that of the Program as a whole, to determine the frequency of monitoring. In doing so, the State can ensure the timely and effective use of Program funds and the completion of projects.

### **City's Program Expenditures Reflect Significant Recovery Delays**

A review of the City's Program expenditures concerning the Authority's projects determined that as of April 2010, the City had only expended \$4.9 million (15 percent) of the \$33 million<sup>12</sup> allocated to the Authority's projects, as shown below.

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<sup>12</sup> The \$33 million was the total for the nine remaining projects that the City did not cancel under the Authority's agreement. See appendix C for the listing of the projects and the calculation totaling \$33 million.



This further shows the City’s failure to fulfill Program obligations with respect to the Authority’s projects. The analysis also provides evidence that the Program, with respect to the Authority’s projects, was delayed and funds were not expended timely.<sup>13</sup> Since the City failed to fulfill its agreement obligations to administer the Authority’s projects and funds in a timely, efficient and effective manner, the City’s recovery from the damage caused by Hurricanes Katrina and Rita was delayed. Thus, the State must hold the City accountable and exercise its agreement option by terminating this portion of the agreement for the remaining \$28.1 million allocated to the Authority’s projects. The State can then reallocate the funding to the State’s other disaster programs that can better use the funds, thereby ensuring better use of disaster funds.

### State Taking Action

After an update meeting, the State provided documentation showing that as of April 15, 2010, it had begun to address some of the issues outlined in this finding. We acknowledge the State’s efforts in resolving these issues.

### Conclusion

Repairing and rebuilding the damage caused by the disaster as quickly as possible is important so that current residents of the City can receive essential services. However, the City did not meet the State’s agreement requirements when administering the Authority’s projects, as it failed to meet its agreement obligations. Specifically, the City failed to meet its obligation to carry out Program activities

- Timely because the City did not execute agreements with the Authority in a timely manner or ensure the Authority completed its projects within specified timeframes.
- Efficiently because the City did not ensure the Authority met the requirements of its initial agreement or implemented projects efficiently so that those projects could progress timely.

<sup>13</sup> October 2008 to April 2010 = 1.5 years and October 2008 to October 2009 = 1 year which was the initial agreement’s term.

- Effectively because the City did not establish specific progressive deadline dates and appropriately develop some initial agreement performance standard requirements.

In addition, the City did not establish its monitoring unit in a timely manner, had not formally adopted monitoring policies and procedures, and did not monitor the Authority under its initial agreement. Further, the City had only completed two of the Authority's projects and only expended 15 percent of the funding allocated to the Authority's projects, delaying the repair and rebuilding of the damage caused by Hurricanes Katrina and Rita.

HUD expected the State to use its funds quickly in carrying out disaster-related activities in a timely manner. In addition, the State's HUD-approved action plan required it to support the most efficient and effective use of HUD funds. The State's agreement with the City expires in September 2010, and based upon the deficiencies noted in the finding, it is clear that the City will not be able to (1) complete the remaining projects or (2) expend the remaining funding associated with the Authority by that time. Although HUD allowed the State to use subrecipients to carry out its Program, the State should have exercised adequate oversight of the City's activities and held the City accountable for its deficiencies. The State could have then exercised appropriate actions to (1) prevent the continuance of the City's deficiencies, (2) mitigate the delay in the projects, and (3) prevent recurrence of the City's failure to meet its agreement obligations.

## Recommendations

We recommend that the Director of HUD's Disaster Recovery and Special Issues Division require the State to

- 1A. Exercise its agreement option by deobligating the remaining \$28,125,000 in Program funds allocated for the Authority's projects. The State can then reallocate the funding to the State's other disaster programs that can better use the funds, thereby ensuring better use of disaster funds.
- 1B. Finalize its monitoring plan and consider including a requirement to perform individual subrecipient risk assessments to determine the frequency of monitoring.

## SCOPE AND METHODOLOGY

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We conducted our audit at the City's office and the HUD Office of Inspector General (OIG) office in New Orleans, LA. We performed our audit work between January and April 2010.

To accomplish our objective, we employed a 100 percent sampling method to the universe of 12 projects applicable to the agreement between the City and the Authority. We chose this method because we determined that the universe was small and review of the entire universe related to the Authority's projects was imperative to obtain the overall picture of its agreement progress and Program compliance.

For each of the 12 projects, we

- Reviewed hard-copy documentation from the City supporting that the Authority met its performance standards for the projects and implemented the projects in a timely manner.
- Reviewed monitoring reports that the Authority submitted to the City during the audit period to determine whether all information required in the agreement was included in the reports.
- Reviewed documentation from the City supporting that the Authority obtained consultation from the City as required in the agreement, as applicable.

In addition to file reviews, we

- Reviewed the HUD-approved action plan, HUD and State grant agreements, the State and City agreement, City and Authority agreements, written policies and procedures of the State and City, the Code of Federal Regulations, public laws, and other applicable legal authorities relevant to the CDBG disaster recovery grant.
- Reviewed HUD monitoring reports and financial audit reports for the City and the Authority.
- Reviewed additional documentation provided by the State concerning its oversight of the Program.
- Interviewed HUD, State, City, and Authority staff.

Our audit period covered September 1, 2007, through December 31, 2009. We expanded our audit period as deemed necessary. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

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Internal control is a process adapted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

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## Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and Efficiency of operations - Policies and procedures that management has implemented to ensure that subrecipients efficiently and effectively comply with the requirements for the Program.
- Compliance with applicable laws and regulations - Policies and procedures that management has implemented to reasonably ensure that it administers disaster CDBG funds in accordance with HUD laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## Significant Deficiencies

Based on our review, we believe that the following item is a significant deficiency:

- The State did not always exercise adequate oversight and hold the City accountable, once performance issues were apparent. Specifically, the State did not (1) conduct an onsite monitoring review of the City to correct deficiencies, (2) set progressive deadline dates in its agreement with the City to adequately track the Program's progress, or (3) exercise its agreement options when the City failed to meet its obligations in a timely and effective manner. (See finding)

## APPENDIXES

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### Appendix A

#### SCHEDULE OF FUNDS TO BE PUT TO BETTER USE

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Recommendation number	Funds to be put to better use <sup>1/</sup>
1A	\$28,125,000

- <sup>1/</sup> Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, the amount represents the amount of disaster funds that will be better used by deobligating funding to which the City of New Orleans failed to meet its agreement obligations and thus violated its agreement with the State. The State could reallocate the funding to other disaster programs that can make better use of it.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Auditee Comments

	
<b>BOBBY JINDAL</b> GOVERNOR	<b>ANGELE DAVIS</b> COMMISSIONER OF ADMINISTRATION
<b>State of Louisiana</b> Division of Administration <b>Office of Community Development</b> Disaster Recovery Unit	
July 23, 2010	
<p>Ms. Rose Capalungan Regional Inspector General for Audit, Gulf Coast Region Hale Boggs Federal Building 500 Poydras Street, 11<sup>th</sup> Floor New Orleans, Louisiana 70130</p>	
<p>RE: OCD/DRU Response to HUD-OIG Audit Report on Orleans Parish Long Term Community Recovery Program</p>	
<p>Dear Ms. Capalungan:</p>	
<p>The Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD/DRU) is providing this letter in response to the HUD Office of Inspector General (OIG) Audit Report concerning the Orleans Parish Long Term Community Recovery Program, administered by the OCD/DRU's subrecipient, the City of New Orleans (City). We have taken under consideration the findings and recommendations contained in this report.</p>	
<p>The HUD-OIG's audit objective was to determine whether the City, as the State's subrecipient, met the requirements of its cooperative endeavor agreement (CEA) with the State during its administration of the New Orleans Redevelopment Authority's (NORA) projects under the Program.</p>	
<p>The audit report contains one finding and two recommendations. Presented below are OCD/DRU's comments on the finding that "The City, as the State's subrecipient, did not always meet its agreement requirements" and the accompanying recommendations contained in the HUD-OIG's Audit Report.</p>	
<p><u>Timeliness</u></p>	
<p>The HUD OIG's audit report is critical of the lack of timeliness of the completion of the NORA projects. The auditors' conclusion is partially based on the timeframes of the Cooperative Endeavor Agreement (CEA) between the State and the City and the timeframe of the CEA between the City and NORA. The CEA between the State and the City states that the agreement shall not continue past 36 months and thus, expires September 2010. The CEA between the State and the City was limited to 36 months because OCD/DRU thought that under state law, the</p>	
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**Comment 1**

**Comment 1**

maximum allowable period for any state contract is 36 months. Because of a misinterpretation of the law, all CEAs with grantees were written for a period of 36 months, even though the law was not applicable to intergovernmental agreements. All agreements are in the process of being revised to reflect actual expectations for completion. There was never an expectation or intention that the programs would be completed within a 36 month period. OCD/DRU expects the time line for the Long Term Community Recovery Program, from original CEA execution to completion, to be from seven to ten years. The amended CEA between the City and OCD/DRU is in the process of being extended an additional five years.

Similarly, the City's CEA with NORA was always intended to extend beyond the initial one year term. The City Charter only allows contracts to go up to one year without City Council approval, so the CEA was renewable in one year increments for up to five years. Again, it was never the State's or the City's expectation that the Long Term Community Recovery Program for the City of New Orleans be completed within the terms of the initial CEAs.

Efficiency

**Comment 2**

OCD/DRU agrees that the City in some instances did not carry out the Program activities efficiently in that the City did not initially institute performance standards, reporting or consultation requirements for projects under its initial CEA. The City, in April 2010, executed a new CEA with NORA. The City asserts that it believes the new CEA sets progressive deadline dates for NORA to perform, requires monthly reports and eliminates the formal consultation requirements. The City adds that since the execution of the new CEA in April, NORA has met the vast majority of the performance standards and the State, City and NORA have met once to discuss the performance standards that have not been met. The City believes that in the future it will be able to ensure the efficient delivery of the Program.

**Comment 3**

The audit report states that the City, by allowing NORA to engage developers in the programs, has made the process of implementation less efficient by adding layers to the process. In fact, this approach is part of the program design, and has the effect of leveraging private funds in accomplishment of recovery objectives. While this may take some additional time to set up initially, it will ultimately result in a more robust, better funded recovery process.

The report further states that the State's infrastructure section's "inexperience" with economic development programs resulted in unnecessary delays in the programs. In fact, the State immediately engaged Economic Development staff to ensure compliance and efficiency. The delays were not a result of inexperience, but of the State's approach to achieving compliance by being involved in program development from the beginning. The expected result is that this initial involvement will speed the overall delivery by ensuring that compliant policies and procedures are in place from the beginning, reducing the need for in-process adjustments and after-the-fact corrections.

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**Comment 2**

Effectiveness

The HUD-OIG concluded that the City did not fulfill its obligation to carry out the Program activities effectively because it did not appropriately develop its initial CEA with NORA. As stated above, the City executed a new CEA with NORA in April 2010 which sets progressive deadline dates for NORA to perform and requires monthly reporting.

City Lacked Monitoring Controls

The HUD-OIG report states that the City lacked monitoring controls to ensure that NORA complied with its initial CEA and that NORA's projects progressed in a timely, efficient, and effective manner. Both, OCD/DRU and the City agree that the City's monitoring controls should have been stronger and more effective.

**Comment 4**

The City stated that as it reorganizes under Mayor Landrieu's new administration, it will be putting into place a two-pronged system to oversee NORA and all of its subrecipients and contractors. On one level, the City will have a series of in-house project managers that will serve as the day-to-day point of contact for the subrecipient or contractor. The project managers will be responsible for ensuring that recovery projects are delivered within the defined scope and budget. In addition, the City will be using a separate monitoring unit to develop monitoring plans and risk assessments for all of the City's subrecipients. The monitors will work side by side with the City's entitlement CDBG monitors and will perform regular on-site monitoring, which will allow the City to use the opportunity of the disaster to build capacity in the City's entitlement program.

City and NORA's Working Relationship Strained

The HUD-OIG reported that the City and NORA appeared to have a strained working relationship. OCD/DRU and the City agree with this assessment. Both OCD/DRU and the City are optimistic that with the change in the City administration and the new Executive Director of NORA in place, a more cohesive working relationship will result.

State Did Not Exercise Adequate Oversight

The HUD-OIG report states that, although the State had taken some measures, it did not always exercise adequate oversight and hold the City accountable, once performance issues were apparent, to ensure the City met the obligations of its agreement during the City's administration of the NORA projects.

**Comment 5**

The HUD-OIG is correct, in that, as of December 2009, OCD/DRU had not conducted an onsite monitoring review of the City's performance under the agreement. However, OCD/DRU has continually exercised its oversight responsibilities and performs ongoing monitoring of the City's activities since the inception of the Program. Since inception, OCD staff has been involved in numerous meetings with both City and NORA officials to assist in resolving programmatic/compliance issues, as well as performance issues. OCD/DRU staff provides

**Comment 5**

oversight as early as the pre-application phase for all projects to ensure CDBG compliance. In addition, the State has contracted and directs the activities of an independent consultant specifically for the purpose of ensuring program and CDBG compliance during project development and implementation. The consultant meets daily with the City and NORA, with the explicit objective of ensuring compliance. These activities are all part of the State's approach to compliance for the Disaster CDBG funds, which uses technical assistance, regulatory guidance, and assistance with program development to ensure compliance, rather than relying solely on mid-term and after-the fact monitoring. The State has now finalized its monitoring plans for infrastructure programs, including the LTRC, and is currently performing desk-top monitoring of files to ensure regulatory compliance and timely, efficient, and effective delivery of programs.

**Comment 6**

With regard to the State not setting progressive deadline dates, in April 2010, the Louisiana Recovery Authority Executive Director sent a letter to the then Mayor of New Orleans informing him that as of April 9, 2010, Orleans Parish had not submitted applications for the full amount of its allocation. The letter also set a deadline of October 31, 2010, for the submittal of applications for the Long Term Community Recovery funding and sets December 31, 2011, as the date that all construction projects must be started.

OCD/DRU will continue to work with the City and NORA to set progressive deadline dates. OCD/DRU will actively track and assess both the City and NORA's progress in meeting the deadline dates. If the City or NORA does not substantially meet the deadline dates the State will exercise appropriate actions to prevent continuance of the deficiency up to and including deobligating and reallocating funding.

City's Program Expenditures Reflect Significant Recovery Delays

The HUD-OIG report states that as of April 2010, the City had only expended \$4.9 million (15 percent) of the \$33 million allocated to NORA projects. The HUD-OIG uses this as further support of the City's failure to fulfill Program obligations with respect to NORA's projects and that NORA projects were delayed and funds were not expended timely. As previously discussed in the Timeliness section of this response, it was never the State's or the City's expectation that the Long Term Community Recovery Program for the City of New Orleans or NORA's projects be completed within the terms of the initial CEAs.

**Comment 7**

By Congressional act and HUD waiver, there is no regulatory requirement of "timely distribution" (see Appendix D of the Audit Report). It is certainly in HUD's, the State's, and the City's best interests to expend the funds timely so the recovery can benefit from the investment of the funds as soon as possible, however, both Congress and HUD recognized that recovery from this catastrophic disaster was going to be a long-term effort that occurs in many phases. Each of the devastated communities has been focused on immediate response and recovery issues, such as ensuring full FEMA funding for repair and replacement of critical buildings and infrastructure. They have been developing programs and projects that best address their long-term recovery needs, and are now implementing those projects and programs. As such, it is premature to conclude that the "Expenditures Reflect Significant Recovery Delays" a particular project or program is not being implemented timely without the context of specific project

timelines and performance measures. All parties acknowledge that these were not initially in place and should have been, and we have taken and continue to take steps to correct this deficiency.

Recommendations:

- 1A. Require the State to exercise its agreement option by deobligating the remaining \$28,125,000 in Program funds allocated for NORA's projects. The State can then reallocate the funding to the State's other disaster programs that can better use the funds, thereby ensuring better use of disaster funds.

A tremendous amount of resources and time have been expended by OCD/DRU, City and NORA personnel in developing the Orleans Parish Long Term Community Recovery Program and, more specifically, the NORA projects. There were numerous obstacles that needed to be worked through, such as, identifying projects; ensuring projects and fund disbursements were CDBG compliant, etc. There has been forward progress made in the remaining seven NORA projects, all of which are in different stages of progress, which will be lost if funds are deobligated and reallocated. The deobligation and reallocation of the remaining \$28,125,000 for the NORA projects at this time would be detrimental to the timely completion of these projects.

As an alternative to immediately deobligating and reallocating the \$28,125,000 in Program funds allocated for NORA projects, OCD/DRU proposes to:

- Review and evaluate the current CEA (October 2009-October 2010) between the City and NORA to ensure it has adequately developed:
  1. progressive deadline dates as related to executing and completing the projects;
  2. clear and specific performance standards and reporting requirements for the projects;
  3. a description of specific documentation required to support NORA's compliance with agreement requirements and the accomplishment of goals; and
  4. measures to ensure NORA meets requirements within specified timeframes.

For any items not adequately developed OCD/DRU will notify the City and give a specific time frame to correct the issue.

- Evaluate NORA's projects and the City's ability to ensure the effective and timely completion of projects. This evaluation will be partially based on OCD/DRU's assessment of the City's ability to adequately develop the items identified in the above bullet. If the City is unable to demonstrate by September 30, 2010, its ability to ensure the effective and timely completion of projects OCD/DRU will take additional steps to ensure timely, efficient, and effective use of the funds up to and including deobligation and reallocation of the remaining funds.

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**Comment 9**

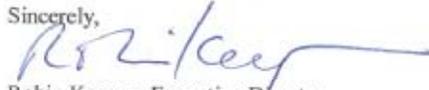
- Amend its current CEA with the City to include progressive deadline dates as related to executing and completing the remaining projects under this Program. This will be done by September 2010, the expiration date of the current CEA between OCD/DRU and the City, and only after the City has demonstrated its ability to ensure the effective and timely completion of projects.

1B. Require the State to finalize its monitoring plan and consider including a requirement to perform individual subrecipient assessments to determine the frequency of monitoring.

OCD/DRU has finalized its monitoring plan and will consider performing individual subrecipient assessments to determine the frequency of monitoring. For the Long Term Community Recovery Program, OCD/DRU performs a risk assessment on each individual project as part of the pre-application process. This risk assessment will be used to guide the monitoring regime.

We appreciate the cooperation and diligence of your staff in conducting this audit. If you have any questions or require additional information, please contact me.

Sincerely,



Robin Keegan, Executive Director  
Office of Community Development/DRU

RK/SU

C: Ms. Angele Davis  
Ms. Barbara Goodson  
Mr. Paul Rainwater  
Mr. Mark Brady  
Ms. Marsha Guedry  
Mr. Thomas Brennan  
Mr. Richard Gray  
Mr. Pat Forbes  
Mr. Robbie Viator

## OIG Evaluation of Auditee Comments

**Comment 1** The State asserted that the OIG report was critical of the lack of timeliness of the completion of the Authority's project and that OIG conclusions were based on the timeframes of the agreement between the State and the City and the agreement between the City and the Authority. However, because of a misinterpretation of the law, the State executed all agreements with grantees for 36 months, and the City's agreement with the Authority was always intended to extend beyond the initial 1-year term. The State also asserted that there was never an expectation or intention that the programs would be completed within a 36-month period and it expects the timeline for the Program to be from 7 to 10 years. The State further asserted that all agreements are in the process of being revised to reflect actual expectations for completion and the agreement between the City and the State would be extended an additional 5 years.

Although there was a misinterpretation of the law on the State's part and despite the City's intentions regarding its agreement with the Authority, the State's agreement with the City required the City to carry out its Program in a timely manner. In addition, we believe that the State had an expectation for the City to be a lot further along in its Program by, at a minimum, having all project applications approved and some projects started or completed under the Program during the past 3 years. As discussed throughout the finding, the City did not fulfill this obligation or expectation when administering the Authority's projects, and, therefore, we stand by our original conclusion.

**Comment 2** The State agreed that the City in some instances did not carry out Program activities efficiently in that the City did not institute performance standards, reporting, or consultation requirements for projects under its initial agreement with the Authority. The State asserted that the City executed a new agreement with the Authority in April 2010 and that the City asserts that the new agreement sets progressive deadline dates for the Authority to perform, requires monthly reports, and eliminated the consultation requirements.

We reviewed the new agreement between the City and the Authority and determined that the performance standard requirements were more detailed than in the initial agreement. However, the requirements did not include specifically stated deadline dates. In addition, some of the performance standard deadlines were based upon the execution of the new agreement, but the signed copy of the agreement did not reflect the execution date of the agreement and was, therefore, still unclear with respect to performance standard deadline dates. Therefore, we stand by our original conclusion.

**Comment 3** The State, in reference to the OIG conclusion that adding developers as an additional layer has made the project's process less efficient, asserted that this approach is part of the Program design and has the effect of leveraging private funds in the accomplishment of recovery objectives. The State also asserted that

while this approach may take some additional time to set up initially, it would ultimately result in a more robust and better funded recovery process. The State further asserted that the delays were not a result of inexperience but, rather, of the State's approach to achieving compliance by being involved in the program development from the beginning.

The State is required to support the most efficient and effective use of its disaster funds. Although the State believes that this additional layer will ultimately result in a more robust and better funded recovery process, we believe that time is of the essence to ensure that the current residents of the City can receive essential services as quickly as possible. Since the Authority has the power to acquire and redevelop properties for the projects themselves, it should have acquired and redeveloped the properties for the four projects themselves, instead of adding this additional layer to process and delaying the recovery of the City.

As discussed in the finding, as of April 7, 2010, the State had not approved the four projects. In addition, neither the State's infrastructure section, the City, nor the Authority has the experience to administer or implement these economic development-driven projects. Because of these factors, the implementation of these projects has experienced delays for more than 1 year. Therefore, we stand by our original conclusion.

**Comment 4** Both the State and the City agreed that (1) the City's monitoring controls should have been stronger and more effective and (2) the City and the Authority appeared to have a strained working relationship. The State asserted that the City stated that as the City reorganizes under the new administration, the City plans to put into place a two-pronged system to oversee its subrecipients and contractors. In addition, with respect to the relationship between the City and the Authority, the State and the City are optimistic that under new administration, a more cohesive relationship would result.

We acknowledge the State's and City's proposed actions regarding the City's monitoring controls and working relationships.

**Comment 5** The State agreed that as of December 2009, it had not conducted an onsite monitoring review of the City's performance under the agreement. However, the State asserted that it has continually exercised its oversight responsibilities and has performed ongoing monitoring of the City's activities since inception of the Program. The State asserted that it has (1) been involved in a number of meetings with both City and Authority officials to assist in resolving programmatic, compliance, and performance issues, (2) provided oversight as early as the preapplication phase for all projects to ensure CDBG compliance, and (3) contracted with a consultant to ensure CDBG compliance during project development and implementation. The State also asserted that it has now finalized its monitoring plans for the Program and is currently performing desktop

monitoring of files to ensure compliance and the timely, efficient, and effective delivery of programs.

We acknowledge the State's actions as related to its monitoring plan. In addition, as discussed in the finding, we agree that the State had taken some measures with respect to its oversight and acknowledged that the State hired a consultant to assist in its efforts. However, once performance issues were apparent, the State did not hold the City accountable by (1) conducting an onsite monitoring review to correct deficiencies, (2) setting progressive deadline dates in its agreement to adequately track the Program's progress, or (3) exercising its agreement options when the City failed to meet its agreement obligations in a timely and effective manner. Therefore, we stand by our original conclusion.

**Comment 6** The State stated that with regard to the State's not setting progressive deadline dates, in April 2010, the Louisiana Recovery Authority's executive director sent a letter to the City setting an October 31, 2010, deadline for the submittal of applications for the Program funding and set December 31, 2011, as the date by which all construction projects must be started. The State also stated that it would actively track and assess both the City's and Authority's progress in meeting the deadline dates. Further, the State asserted that if the City or the Authority does not substantially meet the deadline dates, the State will exercise appropriate actions to prevent the continuance of the deficiency up to and including deobligating and reallocating funding.

We acknowledge the State's proposed actions and efforts in resolving issues.

**Comment 7** The State asserted that there is no regulatory requirement of timely distribution and it is in HUD's, the State's, and the City's best interest to expend the funds in a timely manner. However, both Congress and HUD recognized that recovery from the disaster was going to be a long-term process that occurs in many phases. The State also asserted that it was premature to conclude that the "expenditures reflect significant recovery delays" or that a particular project or program is not being implemented in a timely manner without the context of specific project timelines and performance measures. The State further asserted that all parties acknowledge that these timelines and performance measures were not initially in place and should have been, and the State has taken and continues to take steps to correct this deficiency.

The State's agreement with the City required the City to implement its projects under the Program in a timely and effective manner. However, within the 1-year timeframe of the City's agreement with the Authority, the City had ensured that (1) only 15 percent of the funding allocated to the Authority's projects was expended and (2) only two of nine projects were completed. In addition, since the State executed its agreement with the City in September 2007, the City had only expended 5 percent, including the Authority's expenditures, of the \$410.7 million allocated to the overall Program.

Further, as of April 2010, the State had not approved project applications for four of the remaining seven Authority projects, and in the State's April 2010 letter to the City, the State indicated that as of April 9, 2010, the City had not submitted applications for the full amount of its allocation. Therefore, the City could not start its projects, which further displays that the Program has experienced significant recovery delays and has not progressed effectively and in a timely manner. Therefore, we stand by our original conclusion.

**Comment 8** In response to recommendation 1A, the State disagreed with deobligating the funding and explained that there has been forward progress made in the remaining seven Authority projects, all of which are in different stages of progress, which will be lost if funds are deobligated and reallocated. The State asserted that the deobligation and reallocation of the remaining \$28,125,000 for the Authority's projects at this time would be detrimental to the timely completion of these projects. The State provided alternatives to immediately deobligating and reallocating the \$28,125,000 in Program funds allocated for the Authority's projects.

We acknowledge the State's proposed actions and responsiveness to our recommendation. Although the State disagreed and asserted that the deobligation and reallocation of the remaining funding would be detrimental to the timely completion of these projects, the State informed the City that it would reallocate the City's funding if the City did not submit all applications for the funding by October 31, 2010, in its April 2010 letter to the City. The State has also proposed, as an alternative, to deobligate and reallocate the funding if the City was unable to demonstrate by September 30, 2010, its ability to ensure the effective and timely completion of the projects.

Because of (1) the number of issues identified in the finding, (2) the City's past poor performance, and (3) the State's failure to hold the City accountable once performance issues were apparent, we believe that the State must deobligate and reallocate this funding to ensure that these funds are used to address the remaining recovery needs without uncertainty or delay. Therefore, we stand by our original recommendation.

**Comment 9** In response to recommendation 1B, the State agreed and indicated that it has finalized its monitoring plan and will consider performing individual subrecipient assessments to determine the frequency of monitoring.

We acknowledge the State's efforts and proposed actions as related to its monitoring plan. HUD will need to ensure that the stated actions are completed correctly.

## Appendix C

### THE AUTHORITY'S AMENDED PROJECT UNIVERSE

Project number	Project/study	Original funding	Revised funding
1	Clean and Lien	\$5,000,000	\$0
2	Veterans Administration Hospital Land Acquisition and Redevelopment	3,500,000	3,500,000
3	Pontilly (or Gentilly Woods) Acquisition and Redevelopment	4,300,000	6,300,000
4	Lake Forest Plaza Land Acquisition and Redevelopment	4,500,000	8,875,000
5	South Claiborne Land Acquisition and Redevelopment	4,500,000	2,500,000
6	Additional Land Acquisition and Redevelopment	10,000,000	10,000,000
7	Lot Next Door Incentive Program Management	250,000	250,000
8	Blight and Historic Property Rehabilitation Loan Fund	2,000,000	0
9	Rehabilitation and Construction Mitigation Study	500,000	500,000
10	Commercial Appraisal Fund	500,000	500,000
11	Methodist Hospital Planning Study	500,000	608,800
12	Property Inventory Database	375,000	0
<b>Totals</b>		<b>\$35,925,000</b>	<b>\$33,033,800</b>

- The City cancelled the Clean and Lien project by
  - Removing \$110,000 and reallocating it to the Methodist Hospital Planning Study,
  - Removing \$2,000,000 and reallocating it to Pontilly (or Gentilly Woods) Acquisition and Redevelopment project, and
  - Removing the remaining \$2,890,000 and reprogramming it to other disaster CDBG projects under the Program that were not a part of the Authority agreement.
- The City cancelled the Blight and Historic Property Rehabilitation Loan Fund by
  - Removing the \$2,000,000 and reallocating it to the Lake Forest Plaza Land Acquisition and Redevelopment project.
- The City cancelled the Property Inventory Database project by
  - Removing the \$375,000 and reallocating it to the Lake Forest Plaza Land Acquisition and Redevelopment project.
- The City also
  - Removed \$1,200 from the Methodist Hospital Planning Study and reprogrammed it to other disaster CDBG projects under the Program that were not a part of the Authority agreement.
  - Removed \$2,000,000 and reallocated it to the Lake Forest Plaza Land Acquisition and Redevelopment project.

## Appendix D

### CRITERIA

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#### *Federal Registers (FR)*

##### *Docket No. FR-5051-N-01 published February 13, 2006*

- Use of Sub-recipients

The State CDBG program rule does not make specific provision for the treatment of the entities called “subrecipients” in the CDBG entitlement program. The waiver allowing the state to carry out activities directly creates a situation in which the state may use subrecipients to carry out activities in a manner similar to entitlement communities.

Therefore, HUD is requiring that a state taking advantage of the waiver allowing it to carry out activities directly must follow the alternative requirements drawn from the CDBG entitlement rule and specified in this Notice when using subrecipients.

- Applicable Rules, Statutes, Waivers and Alternative Requirements

Each State must submit an Action Plan for Disaster Recovery that describes (a) the effects of the covered disaster; (b) the grantee’s overall plan for disaster recovery; (c) monitoring standards and procedures that are sufficient to ensure program requirements; (d) description of the steps the State will take to avoid or mitigate occurrences of fraud, abuse and mismanagement; (e) the state’s method of distribution; (f) required certifications; (g) completed and executed Federal form SF-424.

24 CFR 570.492 is waived and an alternative is provided. The alternative states: The State shall make reviews and audits including onsite reviews of any subrecipients, designated public agencies, and units of general local government as may be necessary or appropriate to meet the requirements of section 104(e)(2) of the Housing and Community Development Act of 1974, as amended, as modified by this Notice. In the case of noncompliance with these requirements, the State shall take such actions as may be appropriate to prevent a continuance of the deficiency, mitigate any adverse effects or consequences and prevent a recurrence. The State shall establish remedies for noncompliance by any designated public agencies or units of general local governments and for its subrecipients.

##### *Docket No. FR-5051-N-04 published June 14, 2006*

- Timely Distribution of Funds

The state CDBG program regulation regarding timely distribution of funds is at 24 CFR 570.494. This provision is designed to work in the context of an annual program in which almost all grant funds are distributed to units of general local government. Because the state may use disaster recovery grant funds to carry out activities directly, and because Congress expressly allowed this grant to be available until expended, HUD is waiving this requirement. However, HUD expects the State of Louisiana to expeditiously obligate and

expend all funds, including any recaptured funds or program income, in carrying out activities in a timely manner.

### **Action Plan**

#### **Amendment 1**

- *Grant Administration*

The LRA has a mandate from the Governor and Louisiana Legislature to assure the coordinated use of resources toward the recovery and to support the most efficient and effective use of such resources.

### **Cooperative Endeavor Agreement between the State and the City of New Orleans – Effective September 17, 2007**

#### **Scope of Services**

- CDBG Compliance

Grantee's rights and obligations under this Agreement are as a grant recipient as set forth in 24 CFR 570.501. Grantee is responsible for implementing the Program in a manner satisfactory to the State and HUD and consistent with any applicable standards that may be required as a condition of the State's providing the funds. Grantee shall comply with all applicable CDBG Program Administration and Compliance requirements as set forth by this Agreement and any Statement of Assurances executed by Grantee.

- Statement of Work

Grantee's obligations with respect to the CDBG funds provided to it by the State are as follows:

1. Grantee shall be responsible for implementing the recovery activities in compliance with all state and federal laws and regulations. It shall be Grantee's responsibility to require that all of its contractors, and all tiers of their subcontractors, adhere to all applicable state and federal laws and regulations, and to conduct all necessary monitoring for such compliance. As to laws and regulations, which apply to the use of CDBG funds, Grantee shall execute a Statement of Assurances reflecting compliance with those listed laws and regulations, which shall be deemed to be material conditions of this Agreement. As to any other laws and regulations, which may apply to construction projects, Grantee is responsible for determining the applicable laws and regulations and ensuring compliance therewith.
2. Grantee hereby binds itself, certifies, and gives its assurances that it will comply with all federal, state, and local regulations, policies, guidelines and requirements, as they relate to the application, acceptance and use of state and federal funds. The Parties expressly acknowledge that the matters, which are the subject of this contract, are under the CDBG Disaster Recovery Program administered by HUD,

which by its emergency nature is subject to ongoing modification and clarifications. The State's obligations under this Agreement are subject to compliance with applicable statutes and regulations of the CDBG program, as modified by exceptions and waivers previously granted and which may hereinafter be granted by HUD. Grantee agrees that in connection with its rights and obligations under the Agreement, it shall cooperate with HUD and OCD relating to the administration and audit of the Program, including compliance with various operating and reporting procedures, which may hereinafter be promulgated by the State and/or HUD.

*Term of Agreement; Termination and Suspension of Agreement*

The term of this Agreement, subject to all requisite consents and approvals as provided herein, shall begin on the Effective Date and continue in full force and effect until Grantee has completed all requirements of this Agreement in accordance with, and subject to, the terms and provision hereof. Notwithstanding, Grantee and the State hereby agree that the term of this Agreement shall not continue for a period greater than thirty six (36) months from the Effective Date. It is expressly understood between the parties that construction projects commenced and/or completed prior to the execution of this Agreement are eligible for grant funding under the terms of this Agreement.

- Termination/Suspension for Cause:

The State may, after giving reasonable written notice specifying the effective date, terminate this Agreement in whole or in part for cause, which shall include but not be limited to:

1. failure, for any reason, of Grantee to fulfill in a timely and proper manner the obligations under this Agreement, and such statutes, Executive Orders, and federal directives as may become generally applicable at any time;
2. submission by Grantee of reports to the State, HUD, or either of their auditors. that are incorrect or incomplete in any material respect, provided Grantee is given notice of said failure and fails to correct the same within a reasonable amount of time; or
3. ineffective or improper use of funds as provided for under this Agreement. It through any cause, Grantee shall otherwise fail to fulfill in a timely and proper manner, its obligations under this Agreement, or if Grantee shall violate any of the covenants, agreements, or stipulations of this Agreement, the State shall thereupon have the right to terminate this Agreement by giving written notice to Grantee of such termination and specifying the effective date thereof, at least thirty (30) days prior to the effective date of said termination.